

MINUTES
SCOTTSDALE CITY COUNCIL
CITY COUNCIL MEETING
Tuesday, May 6, 2003

The Kiva
City Hall
Scottsdale, Arizona

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CALL TO ORDER (IN CITY HALL KIVA FORUM)

Mayor Manross called to order the Regular Meeting of the Scottsdale City Council on Tuesday, May 6, 2003 in the Kiva, City Hall, at 5:13 P.M.

ROLL CALL

Present:

Mayor Mary Manross
Vice Mayor Ned O'Hearn
Council Members David Ortega, Tom Silverman, Robert Littlefield, Wayne Ecton,
and Cynthia Lukas

Also Present:

City Manager Jan Dolan
City Attorney David Pennartz
City Clerk Sonia Robertson

Pledge of Allegiance

Scout Troop 1318 from Camelback Desert School led the audience in the Pledge of Allegiance.

Invocation

Jack Sylvester of the Brotherhood of Man Chapel offered the invocation.

Presentations/Information Update

Mr. Duane Shroufe, Director of Arizona Game and Fish, presented the city with a check for \$30,000 to be used towards preserve trailheads and education relating to the preserve. He noted that the funds originate from the Arizona Heritage Fund (AZ lottery). He thanked the city for promoting the use and preservation of the state's natural resources.

Mayor Manross thanked Mr. Shroufe and the Arizona Game and Fish Commission for their generous contribution.

Public Comment

Mike Manson, 825 E. Lariat Lane, urged citizens to vote no on the firefighter's proposition.

Barbara Cawthorne, 8720 E. Forest Drive, requested that Council reject the Los Arcos proposal or limit the amount of the subsidy.

Jane Rau, 8148 E. Dale Lane, urged Council's support on the proposed Hidden Hills parks.

Nancy Cantor, 2529 N. 86th Street, spoke in opposition to the Los Arcos subsidy and the big boxes on the site.

David Levey, 10481 E. Bella Vista Drive, urged citizens to vote no on Propositions 200 and 201 due to the potential cost to the city.

Minutes

REGULAR MEETINGS

March 31, 2003

April 1, 2003

April 15, 2003

SPECIAL MEETINGS

April 15, 2003

April 21, 2003

COUNCILMAN ORTEGA MOVED TO APPROVE THE REGULAR MEETING MINUTES FOR MARCH 31, 2003, APRIL 1, 2003, AND APRIL 15, 2003 AND THE SPECIAL MEETING MINUTES FOR APRIL 15, 2003 AND APRIL 21, 2003. COUNCILMAN SILVERMAN SECONDED THE MOTION WHICH CARRIED 7/0.

CONSENT AGENDA

1. Appoint election boards for May 20, 2003 special election

Request: Consider adoption of Resolution No. 6291 authorizing appointment of election board workers for the May 20, 2003 special election.

Related Policies, References: Resolution No. 6230, adopted by City Council on January 7, 2003 calling the special election. A.R.S. 9-825 requires that at least ten days before an election the governing body shall appoint election board members from the qualified electors of the municipality.

Staff Contact(s): Sonia Robertson, City Clerk, 480-312-2754, srobertson@scottsdaleaz.gov

COUNCILWOMAN LUKAS MOVED TO APPROVE ITEM 1 OF THE CONSENT AGENDA. COUNCILMAN ORTEGA SECONDED THE MOTION WHICH CARRIED 7/0.

REGULAR AGENDA ITEM 2

2. **Solicit public testimony on the Proposed FY 2003/04 Operating Budget and Capital Improvement Plan; possible council discussion and decision regarding what fire department option to include in the budget; possible council discussion and decision regarding other programming options to include in the budget.**

Request: That the City Council receive public input relative to the Proposed FY 2003/04 Operating Budget and Capital Improvement Plan.

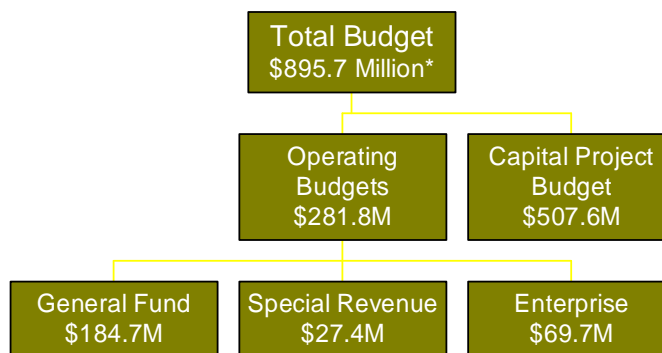
Staff Contact(s): Craig Clifford, General Manager, (480) 312-2364, CClifford@ScottsdaleAz.gov;
Art Rullo, Budget Director, (480) 312-2435, ARullo@ScottsdaleAz.gov

Craig Clifford, Finance Department, explained that tonight is the first public hearing on the proposed budget for FY2003/04. He presented a brief slide presentation that has been summarized below.

FY2003/04 Proposed Budget

- Issues:
 - Decreasing or flat revenue forecast
 - Need to absorb increasing operating costs
 - Considerable uncertainty about the future
- Objectives:
 - Continue to invest in our community, and
 - Minimize the service impacts to our citizens
 - Maintain service productivity

Total Proposed Expenditure Budget FY2003/04



*Total budget includes \$43.8M for Debt Service, \$27.8M for Grants & Trusts and \$34.7M appropriation for Contingencies, Reserves and Fire Referendum

**FY03/04 Proposed Budget-
Public Outreach**

- Previous workstudy sessions: 3/31, 4/7 & 4/14
- Citizen Budget Review Committee report: 5/5
- Arizona Republic Insert – Wednesday, April 30th
- www.ScottsdaleAz.gov/finance - web site
- On service counters at City Hall, Libraries, & Citizen Service Centers
- Public Hearings
 - First Public Hearing - May 6
 - Tentative Adoption - May 19
 - Final Adoption - June 2

Mayor Manross opened public testimony.

Barbara Espinosa, 8626 E. Vista, requested that Council place an item on the agenda to strengthen the city's ordinance regarding massage parlors. She urged Council to take the issuance of massage parlor licenses out of staff's hands. During the last two years, 128 licenses for massage parlors were issued. She gave an example of a parlor doing business in the downtown with questionable practices. She suggested that Council increase the city's budget for code enforcement, signage, and police patrols in the areas of the city with a large number of bars and massage parlors.

Mayor Manross explained that a few years ago, the city significantly increased the minimum number of hours a masseuse is required to have in training in order to work in the city. This action was taken to ensure that they are professionals. She also pointed out that staff is working on the issues by requiring use permits for these types of businesses.

In response to a request for information from Councilman Silverman, Ms. Dolan explained that staff has been working on a new ordinance to regulate massage parlors particularly regarding the licensing for a masseuse. It is scheduled to be presented to Council on June 3, 2003.

Steven Sagert, 6737 E. Oak, congratulated Chief Rodbell on his recent appointment as Chief of Police. He urged Council not to jeopardize the city's bond rating by depleting the city's reserves.

Ben Bloomgren, 8723 E. Montecito Avenue, urged the Council not to cut the bus schedules. He explained that he has been blind since birth and uses the city's bus system almost every day. He stated his belief that, if the schedules are cut, people who use the services to get to work will be greatly impacted.

Timothy McGrane, 3020 N. Scottsdale Road, spoke in support of the CVB (Convention Visitor's Bureau) and their base budget. He strongly urged Council to at least maintain the city's contribution to their budget.

William Chamberlain, 8231 E. Fairmount Avenue, recommended that Council make the budget adjustments the Citizen's Budget Review Committee suggested. He stressed that the recent brochure

distributed by the Culture Quest Program had more advertisement in it for Phoenix than Scottsdale. He urged Council to discontinue all funding for the Culture Quest Program.

Dr. Ray Price, 9906 E. Cinnabar, spoke regarding the minority report that he submitted to the city on April 15th. He recommended that Council begin an investigation to determine the legality and constitutionality of the city's programs.

Elaine Abts, 8237 E. Jackrabbit Road, stated her support of the firefighter's initiatives. She requested that Council find funding for the transition to a municipal fire department. She suggested that the city apply for federal grants to help fund the transition costs.

Rick Kidder, 7373 Scottsdale Mall, spoke as a representative for the Scottsdale Area Chamber of Commerce on the issue of the firefighter's initiatives. He noted that the Town of Gilbert didn't save money when switching from Rural Metro services to a municipal fire department. Transition costs increased their budget the first year by 35%. He explained that their operating expenses increased an average of 8% over the first three years making the city's fire service more than twice as costly as it was with Rural Metro. He felt it was interesting to note that the firefighters are now willing to settle for less firefighters per truck just to achieve a political end. Rural Metro currently sends five firefighters to each scene. He stressed that five is safer than 3 or 4. He stated that the city is dealing with the cold, hard reality that the city does not have the money sitting around to fund the transition costs.

JoAnn Handley, 6813 E. Monterey Way, urged Council not to cut the funding, if possible, for the CVB and Culture Quest Program. She expressed her opinion that the Native Trails portion of Culture Quest was a wonderful way to promote the city and was a huge success.

John Nichols, 10450 E. Desert Cove Avenue, stated his support of the Cultural Council and urged the city not to cut funding. He stressed that there is no funding in the school system's budgets to meet the state mandated art criteria. He noted that currently, the Cultural Council is meeting that need with their educational programs, which would be cut if their funding is reduced.

Rachel Sacco, (no address given), spoke as a representative for the Scottsdale CVB. She stressed the importance of tourism in Scottsdale since it pumps \$2.4 billion in the community each and every year. She stated that 39% of the jobs in the city are related to tourism. Tourism keeps taxes low and supports the city's municipal services. One-third of the city's total tax collections originate from visitors. She explained that the city is facing stiff competition. Cutting the tourism budget now would only reduce the city's ability to bring tourism dollars to the community. She stated that programs like Culture Quest has helped the CVB reach and bring new visitors to the city. For every dollar invested into the CVB, the city gets a return of over \$70.

Nick Barbisan, 10331 E. Acoma Drive, spoke in support of Propositions 200 and 201. He explained his belief that his son's accidental death might have been prevented if the city had had a municipal fire department in place at the time of the emergency.

Lois Fitch, 1229 N. Granite Reef Road, urged Council to support the Mall Sculpture Committee's efforts to place a memorial sculpture of Winfield Scott in the City Mall area. She estimated the costs at \$260,000 and requested that the city fund \$80,000.

Sue Sisley, 12622 N. 81st Street, stated her support of the formation of a municipal fire department. She stated her belief that the firefighters support the community; therefore, they deserve the community's support.

Jim Lane, 7666 East El Rancho Drive, explained that he co-chairs the Know Enough to Vote No Committee. He stated his belief that the fire department has done a fine job and that there is not a public crisis. He stressed his opinion that the best option would be to retain Rural Metro.

Judy Crider, 6649 N. 81st Place, spoke on behalf of the public library system. She noted that the library system had over 1.6 million visitors last year. The web page and circulation department reaches out beyond the community.

Steve Springborn, 8373 East Hubbell Street, stated that the Council is here tonight to decide on the service level. He felt that virtually everyone agrees that the fire services in the city is not adequate and puts Scottsdale at risk.

Dave Furnish, 7530 E. Beryl Avenue, expressed support for the firefighter's initiatives. He urged Council to consider all the facts that have been submitted so the city can have a municipal fire department. He disputed Mr. Clifford's estimates for the transition costs since he felt the city could pay pennies on a dollar for the existing equipment.

Marilynn Atkinson, 3957 N. Brown Avenue, spoke on the importance of maintaining the CVB funding and funding for the Native Trails Program. She stated that tourism is the backbone of the city. She stressed her belief that the city must continue to move forward to attract tourists.

Maxine Petti, 9039 N. 104th Place, stressed strong support for the firefighter's initiatives. She stated her belief that the country is facing an accelerated threat to public safety; therefore, now is the time to support emergency personnel. She stated her belief that the city could apply for federal grants to help finance the creation of a municipal fire department.

Brent Williams, 5515 E. Emile Zola, explained that he is a Captain at Rural Metro. He felt the talk of costs related to forming a municipal fire company is insane since you cannot put a cost on human life. He urged everyone to vote yes on Propositions 200 and 201.

Dan Ables, 14023 N. 83rd Street, stated that he has two sons who are firefighters; therefore, he supports the firefighter's initiatives. He stressed Rural Metro's current financial situation and questioned why the city would continue their contract with such a financially troubled company.

Ned Sickle, 6226 East Laurel Lane, appealed to Council not to reduce the budget for the CVB or Culture Quest. He stressed that revenue generated from tourists help pay for basic city services.

Danny Ables, Jr., 1357 E. Moreland Street, explained that he is a Scottsdale firefighter. He stressed that firefighters risk their lives to protect citizens and property in the community and currently, don't even receive death benefits. He felt a municipal fire department should be supported since it would be a non-profit organization unlike Rural Metro. He urged all citizens to support their firefighters by voting yes to Propositions 200 and 201.

Varina Martindale, 8021 E. Osborn Road, Apt. 109, urged the city not to cut bus routes. She noted that she is blind and depends on the city's bus service to commute.

Lyle Wurtz, 6501 E. Palm Lane, cautioned the city that revenues may continue to decline, possibly over the next decade. He stated his belief that citizens can no longer count on tourism and growth to pay the "current rent due". He explained that the city must quit pretending that the money shortage is a

temporary phase and everything will be okay next year. He envisioned that it would take some tough decisions to cut expenditures. He felt the arguments for Culture Quest were extremely weak; therefore, the program should be discontinued. He suggested that the Cultural Council's executive employees should take a cut in pay. He summed up his comments by again warning that the economy may be in a decline for some time.

Joe Niles, 6845 E. Osborn Road, urged Council to continue the 510 express bus route. He explained that he understands the city is purchasing additional trolleys and inquired if they are more important than the bus routes. He wondered if it is more important to move people to work or a small amount of tourists to shop. He also stated his support for the firefighter's initiatives.

Wanda Dovenspike, 8219 E. Arlington Road, explained that she was speaking for senior citizens who ride the 510 express bus route. She requested that Council continue funding the route since it allows people to travel to their jobs.

Christina Masciotra, 6330 E. Delcoa Avenue, stated her belief that the only reason people can't understand that a municipal fire department would cost less is because they don't want to. She noted that twelve communities in the state have dropped Rural Metro's services.

Judie Pinch, 7223 E. 1st Avenue, explained that she is the President of the Old Town Scottsdale Merchant's Association. She stated her support for the CVB since they assist the merchants in the downtown area. She expressed her belief that the CVB and Culture Quest are entwined with the downtown area; therefore, urged Council to be kind.

Mayor Manross closed public testimony.

Councilwoman Lukas addressed the extensive cuts proposed in transit since the impacts on citizens are not acceptable. John Little, Transportation, explained that due to comments made during public testimony and Council's direction, staff has developed two alternatives to the previously proposed cuts. He stressed that, although funding was located to provide the alternatives, they would minimize the cuts for one year only.

Option A (considers productivity)

1. Continue to operate the Scottsdale Road Route 72 services at 15-minute frequencies (\$389,000) during peak hours. Service during the evenings and on Sundays would be reduced.
2. Maintain the Hayden Road at 15-minute frequencies
3. Maricopa County special transportation services van would be funded (\$20,000)

Option B (considers public input only)

1. Maricopa County special transportation services van would be funded
2. Express Route 510 would be funded
3. Maintain 15-minute frequencies on Scottsdale Road
4. Maintain 30-minute frequencies on Miller Road

Councilwoman Lukas expressed her support of Option B.

Councilman Silverman questioned the evening hours that would be impacted by Option A. Mr. Little explained that the peak hours that would not be impacted by the reductions would be from 6-9 in the morning and 4-7 in the evening.

Councilman Silverman explained that he favors Option B also.

Councilman Ortega explained that Council has heard the public, which is very important. He questioned Mr. Little as to the eligibility of one of the speakers with special needs for special transit services. Mr. Little explained that there is an application process that needs to be completed which would determine eligibility. He confirmed that the city's taxi voucher program is still being funded.

Mayor Manross requested that staff present additional information on the fire service transition and personnel costs. In response the Mayor Manross' request, Mr. Clifford presented the following information, which has been summarized below.

Background

January 7, 2003 – Council votes for a May special election on fire initiatives

January 10, 2003 – A cross-functional team of nearly **30** City Staff is formed to design the transition to a municipal department

March 27, 2003 – Cost estimates for one-time and operating costs are presented to the Council.

Mr. Clifford explained that since Scottsdale has the largest private fire service in the United States, the team did not have a similar model to follow. He stated that the two transitions in the state that have been used as examples (Gilbert and Sun City West) had one sixth the number of stations and ten percent of the number of firefighters involved in the transition.

Our Mission

- To provide realistic and conservative transition costs and annual operating costs of a municipal department to the City Council. The costs were framed to ensure that:
 - ◆ There would be no degradation in service to the community or that the firefighters' safety might be endangered.

Uncertain Factors Affecting Costing Considerations

- Six month time constraint for implementation
- Public procurement laws and regulations
- Unknown # of firefighters to be hired from Rural Metro and time of hiring
- Outcome or ability to negotiate purchases of certain "used" equipment from Rural Metro
- Life-cycle costing (age and condition of current equipment)

Life-Cycle Costing

- Full cost will be necessary for purchase of new replacements upon the end of the useful life of the current equipment
- Replacement costs are charged to the benefiting department and held in the Fleet fund to ensure the City can make the purchases, per City Financial Policy
 - ◆ For example - of the 17 staff vehicles currently used for Scottsdale Fire Operations –
 - ◆ 70% are greater than 5 years old or exceed the City's mileage guidelines and would be due for replacement within 2 years under the City's current fleet guidelines

Methodology

- Revenue sources were investigated, analyzed and benchmarked against other valley Cities
- Costs were investigated and listed at Fair Market Value for all items
- All items would be estimated to ensure that there was no degradation in service to the community or that the firefighters' safety would be endangered

Mr. Clifford explained that this is a public safety issue; therefore, every effort has been taken to provide an accurate estimate of resources and costs in order to transition.

Lisa Murphy, Finance Department, presented the following information.

ALS Transport Fees

- Advanced life support (ALS) can be defined as: I.V. therapy, drug intervention, cardiac defib., etc.
- The recovery of Advanced Life Support transport fees by the City is dependent on three factors.
 - Contract renegotiation to ensure that the ambulances operated by a private provider would only be staffed with Emergency Medical Technicians able of giving Basic Life Support Services only.
 - Advanced Life Support services would be provided by a municipal paramedic. Note: Even though the City currently responds to all calls with the capability of performing ALS services, the City would only receive payment if the City's paramedic actually performs ALS services.
 - The municipal paramedic will have to travel on the ambulance to the hospital (transport) and provide ALS services during the transport.
- Additional costs would be incurred due to staffing each engine two paramedics. The amount will be dependent on the compensation model chosen.

The City's ALS revenue estimate

- Based on benchmarks from other Cities
2001/02 Amounts (verified with corresponding municipal finance offices):
Mesa - \$0
Chandler - \$71,745
Peoria - \$132,235
Tempe - \$280,000
Glendale - \$325,373
Scottsdale estimate - \$250,000

Fire Service Options

- Number of firefighters
- Shift structure
- Compensation structure
- Past service retirement

Annual Operating Costs

| | Current | Option A | Option B | Option C | Option D |
|-------------------------|-----------------|----------|----------|----------|----------|
| Firefighters per Engine | 3 | 3 | 4 | 4 | 4 |
| Workweek | 60 hrs. | 60 hrs. | 60 hrs. | 60 hrs. | 56 hrs. |
| Total Firefighter FTE | 164.5 + Amb. FF | 164.5 | 209.5 | 209.5 | 242 |
| Admin & Civilian FTE | N/A | 36.5 | 36.5 | 36.5 | 36.5 |
| Salary Levels | Existing | Existing | Existing | Valley | Valley |

Annual Operating Costs (Net of Revenues)

| | Option A | Option B | Option C | Option D |
|---------------------------------|----------|----------|----------|----------|
| Without Past Service Retirement | (\$741K) | \$2.3 M | \$3.6 M | \$4.5 M |
| With Past Service Retirement * | \$517K | \$3.9 M | \$5.3 M | \$6.2 M |

* Note: Total past service cost amortized over 20 years.

Past Service Retirement Costs

- Dependent upon
 - ◆ Number of Rural/Metro Firefighters hired
 - ◆ Years of service of the firefighters
 - ◆ Pay rate and total compensation at the time of transition
- Actuarial report for June 30, 2002 reported an Actuarial Accrued Liability of \$21.9 million
 - ◆ Based on salary only – not total compensation
 - ◆ Firefighter's contribution 7.65%, City 10.50%
 - ◆ 12.67% contribution rate for the City for 20 years for past service costs
- Using the costs determined in the 6/30/02 actuarial study and adjusting for total current compensation and pay rate options - total Past Service cost estimates for the City (paid over 20 years) would be:

| Current | Option A | Option B | Option C | Option D | |
|---------|----------|----------|----------|----------|--------|
| | \$0 | \$25 M | \$31 M | \$35 M | \$34 M |

Fire Operations

- Office Space Requirements:
 - ◆ Sworn Fire Administration - 6 FTEs
 - ◆ Civilian/Fire Prevention - 22 FTEs
 - ◆ Classroom training space (3,000 s.f.)
 - ◆ Centralized site has not been determined
- Other administrative staff - 13.5 FTEs to be absorbed into other City departments, e.g., payroll, purchasing, fleet

Turnout Gear and Uniforms

- Municipal Estimate - \$573,421
 - ◆ Initial uniform purchases are listed at cost of \$897.61
 - ◆ Subsequent uniform allowance would be part of annual operating costs, valley average = \$600 per year
 - ◆ Assumes fair market value for turnouts due to unknowns regarding :
 - ◆ The condition of the turnout equipment
 - ◆ The number of firefighters who would be hired from Rural Metro (quantity and sizing issues)

On Apparatus Equipment

- Municipal Estimate - \$1,855,898
- ◆Cost at Fair Market Value
- ◆Based upon current inventory list
- ◆Inclusion of second life pack (defibrillator) for paramedic to enable the City to recover Advanced Life Support (ALS) Fees

Fire Administration Space and Furnishing

- Municipal Estimate - \$752,230
- ◆Includes tenant improvements to office and classroom training space
- ◆Space for 14 Fire Administrative and 14 Fire Prevention staff
- ◆Actual office space site has not been determined (contingency)
- ◆Includes a fair market value for administration office furniture (28 FTE)

Radios

- Municipal Estimate - \$301,541
- ◆Fair Market Value for new radios based on the useful life of the radios currently being used
- ◆Assumption that dispatch will be provided for the first year by Rural Metro

Phoenix Dispatch Uncertainties

- RADIO COVERAGE / FREQUENCIES: Can Phoenix guarantee coverage for all of Scottsdale's geographic area?
- EQUIPMENT QUANTITIES: If more units are required than the original quote can we assume the quoted unit costs?
- USE OF PHOENIX FIRE EQUIPMENT: Equipment would be loaned from Phoenix for how long?
- UPGRADE ISSUES: If Phoenix Fire converts to the new standards in 2008/09 as planned, what happens if some jurisdictions cannot afford the transition costs?
- CONTRACT NEGOTIATIONS: Is Phoenix willing to guarantee certain response times either through dispatch and/or station locations through automatic aid?
- LIABILITY: This is probably a question for our respective attorneys. What liability is Phoenix willing to assume given a contract relationship?

Software

- Municipal Estimate – \$181,000
- ◆Use of Staff Scheduling Software to accommodate complex scheduling
- ◆Used by other municipalities and Rural Metro
- ◆Use of GIS software to aid Prevention efforts

Fleet

■Municipal Estimate - \$680,200

◆23 New vehicles due to the advanced age and mileage of 70% of the vehicles currently used in operations

◆Fleet parts shelving area would have to be modified in order to accommodate parts for adding 55 additional pieces of equipment, 30 of which are large fire apparatus (city owned fire engines, currently serviced by Rural Metro)

Financing Options

■Debt issuance was not considered because:

◆Transition costs are not related to long-lived assets, e.g., fire engines or buildings

◆No feasible trade-off with Bond 2000 projects

◆Reliable revenue source to pay annual debt service is uncertain at this time

In response to questions from Councilman Ecton, Ms. Murphy explained that the cost estimates for personnel are based upon the current compensation as listed in the March 27th memo. They do not include any increases for future value. Ms. Dolan clarified that the cost estimates to provide funding for prior service pension was estimated to be paid over a 20-year period. The city would not have to pay it all in one lump sum. If Council chooses to fund the pension plan retroactively, it can be paid over a 20-year period. She noted that it was not included in the transition costs since it is an option for Council. Council may decide not to fund the pension plan retroactively.

Councilman Littlefield explained that the question that should be answered tonight for the voters is which option Council will take if the propositions pass. He noted, however, that he disagrees with the estimated transition costs.

COUNCILMAN LITTLEFIELD MOVED THAT IN THE EVENT THAT THE CITIZENS OF SCOTTSDALE DECIDE IN THE MAY 20, 2003 SPECIAL ELECTION TO CREATE A MUNICIPAL FIRE DEPARTMENT THE CITY COUNCIL WILL IMPLEMENT THE NEW DEPARTMENT WITH THE FOLLOWING INITIAL MODEL FOR BUDGETARY PURPOSES: 1) FIREFIGHTERS TO BE PAID AT THEIR CURRENT RATE OF COMPENSATION, 2) AN AVERAGE 60-HOUR WORKWEEK, 3) ADD ENOUGH ADDITIONAL FIREFIGHTERS TO PROVIDE FOUR FIREFIGHTERS ON EACH ENGINE, AND 4) PRIOR YEARS RETIREMENT COSTS NOT TO BE FUNDED AT THIS TIME. COUNCILMAN ORTEGA SECONDED THE MOTION.

Councilman Ortega agreed that Council wants to provide some clarity so the level of service can be determined. He stated his belief that approving Option B is the prudent thing to do since it will advise the public and provide staff with direction to prepare the city's budget. He noted that the city has a standing agreement for vendor services that is in tact that would protect the city through the transition if necessary.

Councilman Ortega pointed out that, in response to his request, he received a four-page report from staff listing city property that might be available for sale as surplus property. He explained that recently Council approved the Gila River Indian Community Water Rights Settlement that assured the city of a 100-year water supply. He stated that the city purchased property in the 80's for \$11 million known as Planet Ranch for its water rights. Since the water usage never materialized and the recently approved settlement will provide water to the city, he stated that he isn't afraid to look at the possible sale of the property as an additional revenue source.

Mayor Manross cautioned that there are considerations that would complicate the sale of Planet Ranch such as the water rights, endangered species that habitat the property, etc. She noted that funds that would be received from the sale of Planet Ranch would be restricted and must be placed in the water resource fund.

Councilman Ortega stressed that there are potential creative solutions that can help the city during the difficult economic times.

City Attorney Pennartz explained that the subject is complex and beyond the scope of tonight's proceedings. He noted that there are a number of restrictions regarding the way the city could use proceeds from the sale of Planet Ranch since it was purchased with restricted funds that were acquired for water resource purposes. There have been some proposed "deals" relating to how the city could exchange and/or sell the property in various ways. He cautioned that there is no basis tonight to say that the sale of the property would yield general fund revenues.

In response to a request for clarification from Mayor Manross, Mr. Clifford explained that while Scottsdale Rural Metro now staffs for Advanced Life Support, every trip is considered ALS (Advanced Life Support). However, for the revenues to be achieved, as in Glendale or any of the other cities, the city must not only have the capability for advanced life support but that service must be provided to the person who is being transported. Technically, every response could be called ALS; however, the same numbers cannot be used to estimate the revenue capacity if the ambulance contract was renegotiated. Therefore, staff used a conservative number in their estimates as based on statistics from cities that are charging for that service today.

Mr. Clifford acknowledged that the estimates relating to the radio coverage is probably the biggest uncertainty for the city. He noted that staff has tried to research the possibilities and are suggesting that in the first year, the city would be assured of at least maintaining the same coverage the city has today by contracting with Rural Metro for the radio service. He stated that the city still would like to research the issue and possibly transit to service with Phoenix or another service somewhere down the road. He pointed out that there is a significant issue remaining related to ensuring coverage throughout the city.

Councilman Ecton requested clarification of the motion on the table regarding the possible funding of the pension plan. City Attorney Pennartz deferred to Councilman Littlefield for clarification. Councilman Littlefield confirmed that the intent of the motion was to allow Council at a later time to determine *if*, *when*, and/or *how* to fund the pension fund for the firefighters. The motion would not bind the Council to fund the firefighter's pension plan.

Vice Mayor O'Hearn questioned what rate of pay the firefighters would be paid during the second year of operation if voters approve a municipal fire department and the motion on the table passes. He stated that any Council in any subsequent year could make the decision to transition the firefighter's compensation to comparable rates. He also questioned the amount of the potential budget increase if comparable rates were paid the second year. Mr. Clifford explained that if Council went with Option B the first year and then moved to the municipal compensation option, the increase would amount to another \$1.3 million.

Ms. Murphy explained that Option C is the equivalent of a municipal compensation schedule. Currently, there is a negotiated agreement concerning the firefighter's salaries. They work on a step basis, which is different than the current city system. She noted that when staff benchmarked the salaries against other valley cities, there was quite a difference (approx. 7%) between the base firefighter salary level currently paid by Rural Metro and those valley wide.

In response to additional questions from Vice Mayor O'Hearn, Mr. Clifford explained that the first year costs under Option B for funding the firefighter pension plan total approximately \$1.3 million. This figure assumes 100% participation of Rural Metro's current staff based upon an actuarial study that was completed June 30, 2002. The estimate would need to be recalculated any given year based upon an actuarial study and may vary depending upon how many firefighters the city actually hires from Rural Metro and elsewhere.

Vice Mayor O'Hearn acknowledged that the issues involved with the estimates are complicated; therefore, it would be difficult for anyone to determine the long-term costs. He felt that it is admirable that Council is looking at solutions to the budget challenges; however, he didn't feel Council should be identifying properties to sell at this time.

Ms. Dolan clarified for Councilwoman Lukas that the transition costs would remain the same regardless of the option chosen; however, the operating costs would change from option to option. Option B and the transition costs would total approximately \$8.7 million, which doesn't include any payment for retroactively funding the firefighter's pension plan.

Councilwoman Lukas and Councilman Silverman agreed that it would be prudent to vote on an option tonight for budgetary purposes.

In response to questions from Councilman Ecton, Ms. Dolan explained that if the motion on the floor were approved, staff would accept it as direction on a budget assumption. Council would then have to decide how to accommodate the option when the appropriation limit is set on May 19th should the voters approve a municipal fire department. Under Arizona law, Council would be setting the maximum or upper appropriation limit, which would indicate how Council chooses to finance Option B and the transition costs should these ballot measures pass. It can be accomplished by setting the appropriations limit at the proposed budget amount, which would cause staff to find reductions or Council could set it at a higher level. Council could then decide if some of the reserve money should be used or if further cuts are necessary. She noted that staff might need some emergency spending authority if the propositions pass so that the city can comply with an orderly transition of the department under the terms of the propositions.

Councilman Littlefield expressed his belief that it would be prudent to make the decision tonight regarding the level of service that will be implemented should the propositions pass. On June 19th, since Council will not know the results of the election, it would be prudent to set the budget limit at the amount of the proposed budget plus the amount of the estimated transition costs. If the costs turn out to be less than estimated, the city would be better off.

Vice Mayor O'Hearn urged Council to provide as much direction as possible as soon as possible. He suggested Council indicate how the transition would be funded if the propositions are approved so the voters clearly know if service reductions would be forthcoming or if funds would be used from the city's reserves. He also stated his belief that Council should provide citizens with some indication of the amount Council is willing to set the upper limit of the budget at on May 19th since it would give citizens some idea if additional service cuts are expected if the propositions pass.

Mayor Manross expressed her opinion that the question is how to finance the \$8.9 million initial cost if the propositions pass on May 20, 2003.

THE MOTION CARRIED 7/0.

Councilman Ecton stated his belief Council would need to go through the budget and discuss the various ideas to cut expenses. Once that process is finished, Council could then discuss how to finance the transition and the other costs.

Vice Mayor O'Hearn explained that he is personally against using the city's reserves to balance the budget. He stressed that he would like Council to provide as much direction as possible to the voters as to what the city would do if the propositions pass.

Councilman Littlefield expressed his belief that Council must set the upper budget limit on May 19th high enough so it is legally permissible to transition to a municipal fire department if the propositions pass. He noted that he would like to see the transition funded by reducing some of the expenses that were recommended by the Citizen's Budget Review Committee rather than firing personnel. He acknowledged that there are other decisions to be made before additional direction can be provided. The sooner the information can be made available to the public, the happier he would be.

Vice Mayor O'Hearn pointed out that Council has made no commentary on possibly cutting the cultural program budgets, although citizens have spoken on the issue tonight. He inquired if any Council member would like to comment on the issue.

Mayor Manross made it clear that she wishes to keep the funding for the CVB and the Culture Council in tact. She also stated reluctance to dip into the city's reserve fund.

Vice Mayor O'Hearn agreed that he would not like to see the funding for cultural programs cut. He explained that tourism is the city's lifeline.

Councilwoman Lukas also stated support for maintaining funding for the CVB and the Cultural Council. She explained that people see the cultural events as an essential service since they are an investment in the community. She felt the city must be poised to counteract the increased competition.

Councilman Silverman expressed his opinion that the timing couldn't be worse to cut funding for the CVB and Culture Quest. He also stated support for Option 2 of the transit alternatives.

In response to various Council members' questions regarding the May 12, 2003 workstudy session, Ms. Dolan advised Council that they could change the workstudy session to a special meeting if they so desired. Vice Mayor O'Hearn expressed his desire to keep the workstudy session schedule as it is.

Public Comment

Dave Hochstrasser, 8346 E. Granada, encouraged Council to support the project at Los Arcos and to continue to work with the Ellman Companies. He speculated that some revitalization has occurred in the area due to the redevelopment plans moving forward.

Greg Bielli, 11140 N. 100th Street, thanked Council for making decisions tonight. He expressed his opinion that the city is fortunate in that it has a great staff. He felt the financial staff is to be commended for their thoroughness.

Michael Merrill, 8713 E. Vernon Avenue, requested that the city attorney look into allegations and rumors regarding Vice Mayor O'Hearn and his employer having dealings with Wal-Mart. He felt this

would cause a conflict of interest for Vice Mayor O'Hearn on the proposed Los Arcos project. Secondly, he explained that through his research, he found the largest subsidy given to a developer by a city involving a Wal-Mart project was only \$17.4 million. He felt the amount of the subsidy given to the Ellman Companies by Council in the proposed plan is ridiculous. He stated his belief that the deal with the Ellman Companies would cause further blight in the area.

Vice Mayor O'Hearn asked Mr. Merrill for additional information and clarification regarding his allegations. Vice Mayor O'Hearn felt it was incredible that someone would make such allegations based solely on a rumor without any attempt to validate the information. He felt it is incumbent upon citizens and groups to validate rumors before they make allegations against an individual. To do otherwise would be completely irresponsible.

City Attorney Pennartz explained that he received a voice message today requesting the investigation. He advised Council and the public that he was able to research the facts to determine if there was a basis for a legal conflict of interest. He found that ONCOR International is the employer of Vice Mayor O'Hearn. The company has no direct contact with clients. The clients of the company are the other ONCOR companies numbering 53 around the country that are independently owned and provide client service to companies. To the Councilman's knowledge, none of the client companies have Wal-Mart as a client or have any work done for Wal-Mart. If they did, it would not involve this property or the Councilman's compensation in any way; therefore, there is **no** conflict of interest.

City Manager's Report - None

Mayor and Council Items - None

Adjournment

With no further business to discuss, Mayor Manross adjourned the meeting at 8:49 P.M.

SUBMITTED BY:

Ann Eyerly, Council Recorder

REVIEWED BY:

Sonia Robertson, City Clerk

C E R T I F I C A T E

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular City Council Meeting of the City Council of Scottsdale, Arizona held on the 6th day of May 2003.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this _____ day of May 2003.

SONIA ROBERTSON
City Clerk